etrion

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2012

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INTRODUCTION

This management's discussion and analysis ("MD&A") for Etrion Corporation ("Etrion" or the "Company" and together with its subsidiaries, the "Group") is intended to provide an overview of the Group's operations, financial performance and current and future business environments. This MD&A, prepared as of March 11, 2012, should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the year ended December 31, 2012. Financial information is reported in United States ("US") dollars ("$"). However, as the Group primarily operates in Europe, certain financial information has been reported in Euros ("€"). At December 31, 2012, the €/$ exchange rate was 1.32 (2011: 1.29), and the average exchange rate for the year then ended was 1.28 (2011: 1.39). The capacity of power plants in this document is described in approximate megawatts ("MW") on a direct current basis, also referred to as megawatt-peak (MWp).

This MD&A contains forward-looking information based on the Company's current expectations, estimates, projections and assumptions. This information is subject to a number of risks and uncertainties, many of which are beyond the Company's control. Users of this information are cautioned that actual results may differ materially from the information within. For information on material risk factors and assumptions underlying the forward-looking information, refer to the "Cautionary Statement Regarding Forward-Looking Information" on page 23.

FOURTH QUARTER AND FULL YEAR 2012 HIGHLIGHTS

	Three months ended December 31		Twelve months ended December 31	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
Revenue[1]	7,385	8,585	55,662	51,910
Gross profit	(1,262)	1,620	29,736	29,762
EBITDA[2]	3,576	(4,330)	43,131	28,502
EBITDA margin	48%	(50)%	77%	55%
Net loss	(7,292)	(19,795)	(8,458)	(26,289)
Adjusted net (loss)/income before non-recurring and non-cash items[2]	(2,351)	51	10,562	4,254
Operating cash flow[3] ($'000)	14,524	(9,728)	40,570	(2,153)
Working capital[4] ($'000)	17,703	20,114	17,703	20,114

Notes:

(1) Revenues are received in Euros and have been translated at the average €/$ exchange rate for 2012, of 1.28 (2011: 1.39). The average price per kilowatt-hour ("kWh") produced dropped from $0.59 in 2011 to $0.51 in 2012, as a result of: (a) foreign exchange rate variations; (b) new projects being connected in 2011 with a lower Feed-in-Tariff ("FiT"); and (c) a reduction to the spot market price in Italy, from €0.08 per kWh in 2011 to €0.07 per kWh in 2012.

(2) Refer to "Financial Review – Financial Results" on pages 9 and 10 for an overview of the Group's adjusted net income before non-recurring and non-cash items and earnings, before interest, tax, depreciation and amortization ("EBITDA") (both of which are non-International Financial Reporting Standard ("IFRS") measures).

(3) Operating cash flow refers to cash flows before investing and financing activities and the effects of foreign exchange rate differences (refer to "Financial Review – Financial Results" on page 9).

(4) Working capital refers to current assets less current liabilities (refer to "Financial Review – Financial Results" on page 9).

OPERATIONS

- Produced 107.8 million (2011: 88.3 million) kWh of solar electricity from 17 solar power plants, up 22% from prior year.
- Implemented a new asset management organizational structure to further streamline operations, improve efficiencies and increase production.

FINANCIAL

- Generated solar electricity revenues of $55.7 million (2011: $51.9 million), up 7% from prior year.
- Recognized EBITDA of $43.1 million (2011: $28.5 million), up 51% from prior year, resulting in an EBITDA margin of 77% (2011: 55%).
- Closed 2012 with a cash balance of $37.7 million (2011: $39.7 million) and positive working capital of $17.7 million (2011: $20.1 million).

BUSINESS DEVELOPMENT

- Announced in January 2013, first project in Chile to develop, build and operate an 8.8 MW solar power project, to provide electricity through a long-term take-or-pay power purchase agreement ("PPA") to a mining operation in the north of Chile, diversifying the Group's portfolio in terms of geography and contract regime.

BUSINESS REVIEW

BUSINESS OVERVIEW

Etrion is an independent power producer that owns and operates renewable assets. The Company is listed on the Toronto Stock Exchange ("TSX") in Canada and the NASDAQ OMX Stockholm exchange ("NASDAQ OMX") in Sweden. Etrion is based in Geneva, Switzerland with offices in Rome, Italy and Santiago, Chile.

The Company operates in the downstream sector of the renewable energy value chain, focusing on owning and operating renewable energy projects. The Company's business model focuses on six key drivers for success: (1) stable revenues; (2) abundant renewable resources; (3) high wholesale electricity prices; (4) low equipment cost and operating expenses; (5) available long-term financing; and (6) low cost of debt.

The Company has an operating platform in Europe consisting of approximately 60 MW of ground-based solar photovoltaic ("PV") power plants all located in Italy. In addition, Etrion is pursuing opportunities to diversify in terms of geography (i.e., expansion into South America), contract regime (i.e., FiT revenues complemented by long-term PPAs) and other sources of renewable energy (i.e., hydro).

Further, due to the accelerated cost reductions of renewable power facilities and certain markets evolving beyond the need for government incentives, Etrion is complementing its business by focusing on markets with abundant renewable resources (i.e., high solar irradiation) and large energy demand where it expects to enter into long-term PPAs with industrial clients or local utilities. In addition, Etrion continues to evaluate opportunities in markets with attractive government incentives (such as FiTs) and strong business fundamentals, where the Company believes it can develop and/or acquire additional renewable energy projects and remains opportunistic to explore other sources of renewable energy, such as hydro and related technologies for future development.

Future growth will be driven by the development and/or acquisition of additional renewable energy projects under long-term contracts in markets with: (a) high electricity prices and abundant renewable resources; or (b) attractive government incentives.

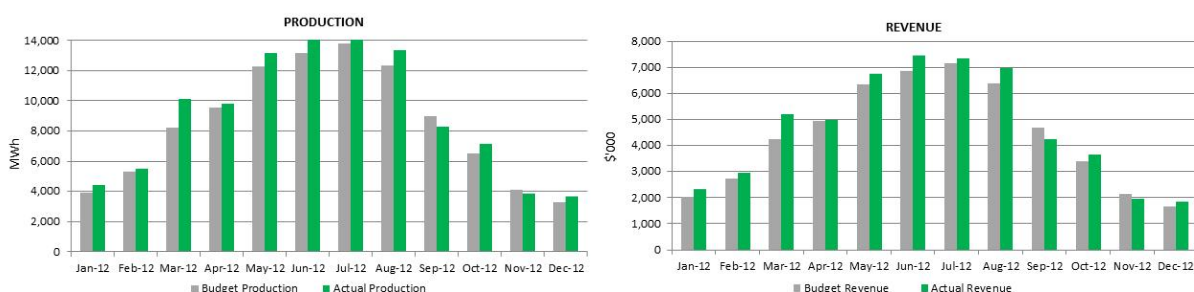
Refer to "Business Review – Development Activities" on pages 5 and 6 for a summary of the Group's development activities and solar pipeline in Chile.

OPERATIONS REVIEW

OPERATING PERFORMANCE

During 2012, the Group recognized revenues from seven solar power projects in Italy (Cassiopea, Helios ITA-3, Centauro, Helios ITA, Etrion Lazio, SVE and Sagittario), comprising seventeen solar power plants.

Solar-related revenues are subject to seasonality over the year due to the variability of daily sun hours in the summer versus winter months. However, on an annual basis, expected solar irradiation in Italy varies less than 10%. This seasonality should smooth over time as the Group secures new projects in South America. The following summarizes the Group's 2012 actual and budgeted revenue and production information and the effects of seasonality:



The Group has substantial revenues and cash flows from operations and its current platform, of approximately 60 MW, continues to perform above plan, producing more than 6% more electricity and revenues than budgeted in 2012, primarily attributable to more daily sun hours and better performance of the Group's solar power projects than expected. However, in September and November 2012, the Group's production was impacted by lower solar irradiation than expected.

Etrion produced over 100 million kWh of solar electricity in 2012, increasing its annual production by more than 22% compared to 2011.

BUSINESS REVIEW (CONTINUED)

OPERATIONS REVIEW (CONTINUED)

OPERATING PERFORMANCE (CONTINUED)

Performance against budget and prior year

The 2012 production and revenue compared to the budget and prior year is as follows:

	Performance against budget				Performance against prior year			
	Actual	Budget	Variance		2012	2011	Variance	
Production[(1)] (MWh)	107,805	101,465	6,340	6%	107,805	88,288	19,517	22%
Revenue ($'000)	55,662	52,615	3,047	6%	55,662	51,910	3,752	7%

Note:

(1) Production is based on megawatt-hours ("MWh") of electricity produced.

The Group's solar power projects exceeded expectations by 6%, primarily attributable to more daily sun hours and better performance of the Group's solar power projects than expected.

Compared to 2011, the Group produced 22% more electricity and generated 7% more revenues, primarily attributable to three additional solar power projects (Helios ITA-3, Etrion Lazio and Sagittario) being connected during 2011 and accordingly not being in operation for the full year, which increased the Group's total installed capacity. However, the 2012 revenues were negatively impacted by a drop in the average price per kWh, $0.51 compared to $0.59 in 2011, a result of foreign exchange rate variations (i.e., a weakening of the Euro against the US dollar), new projects being connected in 2011 with a lower FiT and a reduction to the spot market price in Italy. Accordingly, although production increased by 22% in 2012, this led to only a 7% increase in revenues compared to 2011.

Production and pricing information for 2012 and 2011 is as follows:

	2012			2011		
	MWh	Price[(1)] ($/kWh)	Revenue $'000	MWh	Price[(1)] ($/kWh)	Revenue $'000
FiT revenues (based on actual production)[(2)]	107,805	0.42	45,626	88,288	0.48	42,378
Market Price revenues (based on evacuated production)[(3)]	105,827	0.09	10,036	86,654	0.11	9,532
Total revenue			**55,662**			**51,910**

Notes:

(1) Prices are received in Euros and have been translated at the average €/$ exchange rate for the year of 1.28 (2011: 1.39). The average price per kWh produced dropped from $0.59 in 2011 to $0.51 in 2012, as a result of: (a) foreign exchange rate variations; (b) new projects being connected in 2011 with a lower FiT; and (c) a reduction to the spot market price in Italy, from €0.08 per kWh in 2011 to €0.07 per kWh in 2012.

(2) The FiT is received for each kWh of electricity produced.

(3) The spot market price ("Market Price") is received in addition to the FiT and is based on evacuated production (i.e., electricity produced less transmission losses).

BUSINESS OVERVIEW

The Group's business process is comprised of four key phases:

- Phase 1, site development, generally requires twelve to twenty-four months, during which time site surveys are carried out in order to identify the most favorable locations for construction (considering factors such as solar irradiation levels and the price of electricity) and the necessary permits and grid connection authorizations are obtained;
- Phase 2, project financing, generally takes four to six months, during which the Group assesses and selects financing partners;
- Phase 3, construction, generally takes six to nine months, during which the Group closes the financial aspects of the project, engages a turn-key engineering, procurement and construction ("EPC") contractor to build the solar power projects and ensures compliance with local regulations and contract regime requirements; and
- Phase 4, operations, lasts up to 20 years, during which the Group operates the solar power projects by engaging an operations and maintenance ("O&M") contractor, and the project company generates cash flow and repays the non-recourse debt facilities incurred in connection with the project.

OPERATIONS REVIEW (CONTINUED)

OPERATING PROJECTS

A summary of the Group's current operating solar power projects all located in Italy at December 31, 2012 is as follows:

Project	Region	Sites	Capacity (MW)	Technology	Contractor	Panels	Inverters	Connection date	FiT[1]
Cassiopea	Lazio	1	23.9	Single axis	SunPower	SunPower	SMA	Nov-09	€0.353
Helios ITA-3 (Brindisi, Mesagne)	Puglia	2	10.0	Single axis	ABB	Yingli	Bonfiglioli	Aug-11	€0.250
Centauro	Lazio	1	8.7	Single axis	SunPower	SunPower	SMA	Jul-10	€0.346
Helios ITA (Brindisi, Mesagne)[2]	Puglia	7	6.4	Single axis	Solon	Solon	Santerno	Dec-09	€0.353
Etrion Lazio (Borgo Piave, Rio Martino)[3]	Lazio	2	5.2	Fixed-tilt	Phoenix	Trina	SMA	Apr-11	€0.346
SVE (Oria, Matino, Ruffano)	Puglia	3	3.0	Single axis	SunPower	SunPower	Siemens	Dec-10	€0.346
Sagittario (Nettuno)	Lazio	1	2.6	Fixed-tilt	Phoenix	Trina	SMA	Aug-11	€0.250
Total		**17**	**59.8**						

Notes:

(1) FiT per kWh, based on connection date. In Italy, revenues are derived from the FiT and Market Price, both received for each kWh of electricity produced.

(2) Six of the Helios ITA solar parks benefit from the 2009 FiT of €0.353 per kWh, and the last park built benefits from the 2010 FiT of €0.346 per kWh.

(3) Etrion Lazio was installed at the end of 2010. However, the project was not connected to the electricity grid until April 2011.

Cassiopea

The Cassiopea project in Montalto di Castro in the Lazio region of Italy consists of one ground-mounted solar PV park with a total capacity of 23.9 MW. The solar park was connected to the electricity grid in November 2009. The Cassiopea solar park was built by SunPower Corporation ("SunPower"), a US-based solar panel manufacturer and installer, using high efficiency SunPower modules mounted on single axis trackers with power conversion completed through SMA inverters. Cassiopea has an operations and maintenance O&M contract with SunPower, including preventive and corrective maintenance. The solar park benefits from the 2009 FiT of €0.353 per kWh plus the Market Price of approximately €0.07 per kWh.

Helios ITA-3

The Helios ITA-3 project in Puglia, Italy, consists of two ground-mounted solar PV parks: Brindisi (5 MW) and Mesagne (5 MW). Both parks were completed and connected to the electricity grid in August 2011. The Helios ITA-3 solar parks were built by ABB S.p.A. ("ABB"), the Swiss power and automation technology group, using Yingli poly-crystalline PV modules mounted on SunPower single axis trackers with power conversion completed through Bonfiglioli inverters. Helios ITA-3 has an O&M contract with ABB, including preventive and corrective maintenance. Both solar parks benefit from the August 2011 FiT of €0.250 per kWh plus the Market Price of approximately €0.07 per kWh.

Centauro

The Centauro project in Montalto di Castro in the Lazio region of Italy consists of one ground-mounted solar PV park with a total capacity of 8.7 MW. The solar park was connected to the electricity grid in July 2010. The Centauro solar park was built by SunPower using high efficiency SunPower modules mounted on single axis trackers with power conversion completed through SMA inverters. Centauro has an O&M contract with SunPower, including preventive and corrective maintenance. The solar park benefits from the 2010 FiT of €0.346 per kWh plus the Market Price of approximately €0.07 per kWh.

Helios ITA

The Helios ITA project in Puglia, Italy, consists of seven ground-mounted solar PV parks with a total capacity of 6.4 MW. Six of the solar parks were connected to the electricity grid in December 2009 and the last park built was connected in December 2010. The Helios ITA solar parks were built by Solon S.p.A. ("Solon"), a German solar panel manufacturer and installer, using single axis trackers with Solon poly-crystalline modules and Santerno inverters. In July 2012, the Group entered into a new O&M contract, including preventive and corrective maintenance, with ABB, the previous O&M contract was with Solon. Six of the Helios ITA solar parks, just under 1 MW each for a total of 5.8 MW, benefit from the 2009 FiT of €0.353 per kWh plus the Market Price of approximately €0.07 per kWh. The last park built (0.6 MW) benefits from the 2010 FiT of €0.346 per kWh plus the Market Price of approximately €0.07 per kWh.

OPERATIONS REVIEW (CONTINUED)

OPERATING PROJECTS (CONTINUED)

Etrion Lazio

The Etrion Lazio project in Lazio, Italy, consists of two ground-mounted solar PV parks: Borgo Piave (3.5 MW) and Rio Martino (1.7 MW). Both solar parks were completed in December 2010 and were connected to the electricity grid in April 2011. The Etrion Lazio solar parks were built by Phoenix Solar ("Phoenix"), a German PV system integrator, using Trina poly-crystalline PV modules installed on fixed-tilt structures with power conversion completed through SMA inverters. Etrion Lazio has an O&M contract with Phoenix, including preventive and corrective maintenance. Both solar parks benefit from the 2010 FiT of €0.346 per kWh plus the Market Price of approximately €0.07 per kWh.

SVE

The SVE project in Puglia, Italy, consists of three ground-mounted solar PV parks: Oria (1 MW), Matino (1 MW) and Ruffano (1 MW). All three solar parks were connected to the electricity grid in December 2010. The SVE solar parks were built by SunPower using high efficiency SunPower modules mounted on single axis trackers with power conversion completed through Siemens inverters. SVE has an O&M contract with SunPower, including preventive and corrective maintenance. All three solar parks benefit from the 2010 FiT of €0.346 per kWh plus the Market Price of approximately €0.07 per kWh.

Sagittario

The Sagittario project in Lazio, Italy, consists of one ground-mounted solar PV park with a total capacity of 2.6 MW. The solar park was completed and connected to the electricity grid in August 2011. The Sagittario solar park was built by Phoenix using Trina poly-crystalline PV modules installed on fixed-tilt structures with power conversion completed through SMA inverters. Sagittario has an O&M contract with Phoenix, including preventive and corrective maintenance. The solar park benefits from the August 2011 FiT of (€0.250 per kWh plus the Market Price of approximately €0.07 per kWh.

Refer also to "Business Review – Market Overview" on pages 6 and 7 for an overview of the renewable energy market in Italy.

DEVELOPMENT ACTIVITIES

CHILE

Etrion is pursuing renewable energy projects in South America, with an initial focus on Chile, due to the high solar irradiation and large energy demand. In these markets, the Group can compete with traditional sources of electricity without the need for government incentives by entering into long-term PPAs, denomiated in US dollars, with industrial clients.

In the second quarter of 2012, Etrion opened an office in Santiago, Chile and relocated certain business development personnel to support its development plans.

Refer to "Business Review – Market Overview" on page 7 for an overview of the renewable energy market in Chile.

Aguas Blancas

In January 2013, the Company signed a letter of intent with Atacama Minerals Chile S.C.M. outlining the principal commercial terms of a long-term take-or-pay PPA to sell electricity to its Aguas Blancas mine located in the north of Chile. As a result, Etrion will develop, build and operate a solar power project with a capacity of up to 8.8 MW that is expected to be operational in the second quarter of 2014. The parties expect to sign a definitive PPA by the end of March 2013. The total project cost, including costs related to the licences, permits, development and construction, is estimated to be less than $20 million, a portion of which is expected to be financed through non-recourse project financing, with the remaining equity portion to be funded by Etrion. Construction of Aguas Blancas is subject to a definitive PPA between the parties and Etrion arranging the necessary debt and equity financing as well as other conditions customary for transactions of this nature, including all necessary regulatory approvals.

Development pipeline

Etrion is also pursuing other opportunities to provide solar electricity to mining companies in Chile with varying energy requirements located throughout the country and expects additional PPAs to be signed throughout 2013 and beyond.

DEVELOPMENT ACTIVITIES (CONTINUED)

CHILE (CONTINUED)

Development pipeline (continued)

In addition, Etrion continues to explore other opportunities to develop and/or acquire additional renewable energy projects in Chile as well as other countries in South America.

MARKET OVERVIEW

The market for renewable energy sources, including solar, biomass, wind, hydro and bio fuels, is driven by a variety of factors, such as legislative and policy support, technology, macroeconomic conditions, pricing and environmental concerns. The overall goal for the solar energy market is to reach grid parity, whereby the price of solar energy is competitive with traditional sources of electricity, such as coal, natural gas and nuclear energy. Solar technology cost has dropped dramatically and continues to decrease. In addition, solar energy has reached grid parity in certain parts of the world where solar irradiation and electricity prices are high (for example Chile, where the Group is competing with traditional sources of electricity without government subsidies). As the cost of solar technology continues to drop, new potential markets are expected to develop in areas where solar electricity is price-competitive with other sources of energy.

Solar power plants are an important source of renewable energy. They have very low operating and maintenance costs with minimal moving parts. The technology is essentially silent, emission-free and scalable to meet multiple distributed power requirements. Energy generated from the sun consists of both energy from PV cells (i.e., PV energy) and energy generated from solar collectors (i.e., thermal energy or heat).

The key drivers for growth within the renewable energy sector are:

- increasing global demand for energy due to population and economic growth combined with finite oil and gas reserves;
- improving technologies and accelerated cost reductions for renewable energy;
- increased concern about long-term climate change and focus on reducing carbon emissions from energy generation using fossil fuels;
- political commitment at global, national and regional levels to support the development and use of renewable energy sources; and
- attractive government incentives, such as FiT, capital subsidies and tax incentives in markets that have not yet reached grid parity.

ITALIAN MARKET

In 2005, the Italian government introduced a FiT system in order to encourage expansion of solar energy. This combined with the strong solar irradiation and high electricity prices, has led to a significant growth in the installed capacity of solar generating facilities since 2005. The Italian state-owned company, Gestore Servizi Energetici ("GSE"), is responsible for managing the subsidy program, but the actual cost of the subsidy is paid by the ultimate consumer through a small tax on utility bills.

The Italian FiT is a 20-year commitment from the government to purchase 100% of the solar electricity production at a premium constant rate based on the connection date. Since 2005, the Italian FiT for new projects has been revised to account for the decreasing cost to build solar power plants.

A summary of the actual FiT received by the Group for its ground-mounted solar PV power projects connected in 2009, 2010 and 2011 is as follows:

	2011	2010	2009
FiT (€/kWh)	€0.250	€0.346	€0.353
Duration	20 years	20 years	20 years

In addition to the FiT, solar power generators receive the spot market rate on a per kWh basis. The Market Price during 2012 was approximately €0.07 per kWh of energy produced (2011: €0.07 per kWh).

MARKET OVERVIEW (CONTINUED)

ITALIAN MARKET (CONTINUED)

On May 5, 2011, the Italian government approved a decree establishing new tariffs for solar PV plants entering into operation from June 1, 2011, through December 31, 2016. The decree provides for tariffs to be granted to solar parks based on the type of solar plant installed and the date of grid connection, with annual caps on installed solar capacity. In addition, on March 3, 2011, the Italian government approved a decree that includes land restrictions for solar PV plants installed on agricultural land after March 29, 2012. The reduced FiT impacted the Group's development pipeline in Italy that was fully impaired in 2011. However, the Group's operating solar power projects were not affected by the new decrees.

In April 2012, the Italian industry ministry approved the fifth 'Conto Energia' renewable energy law to be implemented in the second half of 2012. The new scheme resulted in a reduction to the installation of ground-mounted solar PV projects, lower FiT for all PV systems installed and connected to the electricity grid after the implementation date and interim financial caps until the end of 2014 (i.e., half-year budgetary caps of €100 million). The new law also includes an additional administrative fee charged to all operating solar PV systems (approximately €0.0005 per kWh produced). This results in an additional expense to the Group of approximately €0.1 million per year. Apart from the additional administrative fee, the Group's operating solar power projects are not affected by the fifth 'Conto Energia' renewable energy law.

Refer to "Business Review – Operations Review" on pages 4 and 5 for an overview of the Group's operating projects in Italy.

CHILEAN MARKET

Chile's energy demand has been growing rapidly since 1990, a result of increased power consumption by the mining sector, the country's single largest industry, and large urban areas such as the capital city Santiago. The increased demand combined with scarce fossil fuel resources has made the country a net importer of energy. The energy sector is largely privatized which enables energy producers to enter into bilateral agreements directly with industrial clients. The Chilean government has instituted a "clean energy" mandate requiring 10% of its electricity to be generated from renewable sources by 2024, demonstrating strong support for the development and use of renewable energy sources. Due to the size of Chile's economy and well established capital markets, manufacturers and finance providers are available to support the growing demands for energy consumption. Today, mini-hydro is Chile's primary source of renewable energy. However, there is a large opportunity for growth in the solar sector, especially in the northern part of the country where more than 90% of the electricity consumption is by industrial users, such as mining operations.

The cost of solar generation has dropped significantly, enabling Etrion to provide competitive electricity solutions to mining companies in areas of high solar irradiation, through PPAs denominated in US dollars, without the need for subsidies. Chile is a country with abundant renewable resources (i.e., strong solar irradiation), high wholesale electricity prices and a large energy demand, making it an ideal country for Etrion to grow and diversify through new opportunities.

Refer to "Business Review – Development Activities" on page 5 and 6 for an overview of the Group's development activities in Chile and progress made to date.

OTHER MARKETS

Incentive structures for solar power generation currently exist in many markets (including Europe, Japan and North America) and are a key driver for market growth. The objective of these incentives is to increase investment in renewable energy generation in order to deliver greater efficiency and cost reductions. Etrion will continue to evaluate new markets with attractive government incentives where it can develop and/or acquire additional renewable projects.

In addition, as the cost of renewable power generation continues to drop, Etrion will be able to compete with traditional sources of electricity in new markets with abundant renewable resources (i.e., strong solar irradiation) and high electricity prices. Specifically, the Group is currently evaluating opportunities to expand into other regions of South America, where it will enter into long-term PPAs with industrial users or the local utility.

MARKET OVERVIEW (CONTINUED)

COMPETITION

The renewable energy industry is intensely competitive and the Group competes with a substantial number of developers, power producers and financial investors, many of which have greater financial and operational resources. Due to the oversupply and declining prices in the upstream solar market value chain (i.e., companies sourcing raw materials and manufacturing parts and modules), the current trend is that companies are moving downstream for better margins, creating more competition for Etrion. Depending on the financial climate, the Group may also face competition when seeking to raise equity or external debt for its planned development. However, once the Group has acquired the necessary land for a solar power project, secured financing and fulfilled the requirements for the specific contract regime (i.e., FiT or PPA), the Group is able to sell its electricity to the electricity grid either through the terms of the FiT regime or PPA, similarly to its competitors.

PERFORMANCE DRIVERS

The Company's management has identified the following key drivers of success for its renewable energy operations:

- Stable revenues:
  - Premium price for solar electricity generation under long-term contracts (i.e., FiT regime or PPAs);
  - Abundant renewable resources (i.e., solar irradiation varying less than 10% annually); and
  - Economic growth increasing power demand and wholesale electricity prices.
- Low equipment and operating costs:
  - Cost reduction through increased supply, competition and technological improvements; and
  - Fixed price O&M contracts, including preventive and corrective maintenance.
- Available long-term financing with low cost of debt:
  - Project financing up to 80% using non-recourse project loans; and
  - Long-term hedging arrangements to minimize interest rate risk.

FINANCIAL REVIEW

FINANCIAL RESULTS

FOURTH QUARTER AND YEAR-END SELECTED FINANCIAL INFORMATION

Selected consolidated financial information, prepared in accordance with IFRS, is as follows:

	Three months ended December 31		Twelve months ended December 31		
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**	**2010 $'000**
Revenue	**7,385**	**8,585**	**55,662**	**51,910**	**11,565**
Gross profit	**(1,262)**	**1,620**	**29,736**	**29,762**	**5,064**
Net loss[1]	**(7,292)**	**(19,795)**	**(8,458)**	**(26,289)**	**(18,121)**
Adjustments for non-recurring items:					
- Other income (exchange right)[2]	(4)	-	(1,375)	-	-
- Impairment[3]	-	9,672	-	9,672	-
- Equity-based financing fee[4]	-	3,246	-	3,246	-
- Liquidation damages[5]	(51)	(913)	(105)	(3,107)	-
- Insurance proceeds[6]	(178)	-	(178)	-	-
- EPC cancellation fee[7]	-	(2)	-	185	-
- Termination and severance payments	-	-	62	211	730
- Professional fees	-	-	-	-	1,817
Adjusted net loss before non-recurring items[8]	**(7,525)**	**(7,792)**	**(10,054)**	**(16,082)**	**(15,574)**
Adjustments for non-cash items:					
- Depreciation and amortization	5,057	5,258	19,896	18,992	5,990
- Fair value movements (derivative financial instruments)	(76)	2,368	225	239	(4,707)
- Share-based payment expense	193	217	495	1,105	5,644
Adjusted net income before non-recurring and non-cash items[8]	**(2,351)**	**51**	**10,562**	**4,254**	**(8,647)**
Net loss	**(7,292)**	**(19,795)**	**(8,458)**	**(26,289)**	**(18,121)**
Adjustments for:					
- Net income tax expense/(recovery)	(767)	(1,002)	4,045	5,508	(587)
- Impairment	-	9,672	-	9,672	-
- Depreciation and amortization	5,057	5,258	19,896	18,992	5,990
- Share-based payment expense	193	217	495	1,105	5,644
- Net finance costs	6,482	11,255	27,253	29,424	4,344
- Other expense/(income) (exchange right)	(4)	-	(1,375)	-	-
- Income tax paid	(7,114)	(3,230)	(9,961)	(4,934)	-
- Changes in working capital	17,969	(12,103)	8,675	(35,631)	3,548
Operating cash flow	**14,524**	**(9,728)**	**40,570**	**(2,153)**	**818**

Notes:

(1) Net loss for the period/year includes both the net loss from continuing operations and the net loss attributable to owners of the parent company. Basic and diluted loss per share for the years ended December 31, 2012, 2011 and 2010 was $0.04, $0.14 and $0.11, respectively.

(2) During 2012, the net results were positively impacted by non-recurring other income of $1.4 million related to the 10% equity interest in the Company's subsidiary, Solar Resources Holding Sarl ("SRH"), previously held by Marco A. Northland, the Company's Chief Executive Officer and director ("Mr. Northland"), to adjust the share-based payment expense previously recognized by the Group for the portion of the performance condition not met at conversion in accordance with *IFRS 2, Share-based Payments* ("IFRS 2").

(3) During 2011, the net results were negatively impacted by a non-recurring impairment loss of $9.7 million associated with the Group's oil and gas investments ($7.9 million) and development pipeline in Italy ($1.8 million).

(4) During 2011, the net results were negatively impacted by a non-recurring equity-based financing fee of $3.2 million for shares issued (6.5 million) to investment companies associated with the Lundin family related to the €28 million bridge loan that was repaid in November 2011.

(5) During 2012, the net results were positively impacted by non-recurring other income of $0.1 million from liquidation damages from the O&M contractor for one of the Group's solar power projects (SVE) due to a loss of revenue experienced during the year as a result of operational issues. During 2011, the net results were positively impacted by non-recurring other income of $3.1 million from liquidation damages related to delays encountered by the EPC contractors responsible for the construction of two of the Group's solar power projects (Etrion Lazio and SVE).

(6) During 2012, the net results were positively impacted by non-recurring other income of $0.2 million for insurance proceeds received during the year related to thefts encountered by one of the Group's solar power projects (Helios ITA).

(7) During 2011, the Group recognized an expense of $0.2 million for the EPC contract cancellation fee related to the Helios ITA-3 solar power project.

(8) Adjusted net loss before non-recurring items and adjusted net income before non-recurring and non-cash items are a non-IFRS measure.

	2012 $'000	**2011 $'000**	**2010 $'000**
Non-current assets	385,166	408,144	387,833
Current assets	67,611	59,432	58,383
Total assets	**452,777**	**467,576**	**446,216**
Non-current liabilities	417,515	425,696	279,745
Current liabilities	49,908	39,318	131,694
Total liabilities	**467,423**	**465,014**	**411,439**
Working capital (current assets less current liabilities)	17,703	20,114	(73,311)
Dividends declared	-	-	-

Refer to "Financial Review – Financial Results" on pages 10 to 13 for further information relating to Etrion's consolidated financial information for the year ended December 31, 2012 and "Financial Review – Financial Results" on page 13 for further information relating to Etrion's consolidated financial information for the fourth quarter of 2012.

FINANCIAL REVIEW (CONTINUED)

FINANCIAL RESULTS (CONTINUED)

QUARTERLY SELECTED FINANCIAL INFORMATION

Selected consolidated financial information, prepared in accordance with IFRS (presented in $'000, except for per share data, which is presented in $):

	2012				2011			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenue	7,385	18,341	19,198	10,738	8,585	18,219	17,829	7,277
Net loss[1]	(7,292)	379	756	(2,301)	(19,795)	(2,849)	(2,124)	(1,521)
Basic and diluted (loss)/earnings per share	(0.036)	0.002	0.004	(0.012)	(0.106)	(0.015)	(0.012)	(0.008)

Note:

(1) Net loss for the period includes both the net loss from continuing operations and the net loss attributable to owners of the parent company.

The quarterly results for 2012 are not comparable to 2011 as three additional solar projects were connected to the electricity grid throughout 2011 and accordingly were not in operation for the full year. In addition, the results for 2012 were negatively impacted by foreign exchange rate movements due to a weakening of the Euro against the US dollar as the Group's revenues and a significant portion of expenses are derived in Euros (therefore resulting in foreign exchange rate movements on the translation of the Company's consolidated financial statements).

Solar-related revenues experience seasonality over the year due to the variability of daily sun hours in the summer versus the winter months, resulting in lower revenues in the first and fourth quarter of 2012. Such variations should smooth over time as the Group secures additional solar power projects in Chile or other parts of South America.

YEAR-END RESULTS

EBITDA

	2012			2011		
	Renewable energy[1] $'000	**Corporate[1] $'000**	**Total $'000**	**Renewable energy[1] $'000**	**Corporate[1] $'000**	**Total $'000**
Revenue	55,662	-	55,662	51,910	-	51,910
Operating expenses[2]	(6,320)	-	(6,320)	(3,490)	-	(3,490)
General and administrative expenses[2]	(1,583)	(6,579)	(8,162)	(2,273)	(11,160)	(13,433)
Impairment	-	-	-	(1,315)	(8,357)	(9,672)
Other income	403	1,548	1,951	3,047	140	3,187
EBITDA[3]	**48,162**	**(5,031)**	**43,131**	**47,879**	**(19,377)**	**28,502**
Non-recurring items[4]:						
- Other income (exchange right)	-	(1,375)	(1,375)	-	-	-
- Impairment	-	-	-	1,315	8,357	9,672
- Equity-based financing fee	-	-	-	-	3,246	3,246
- Liquidation damages	(105)	-	(105)	(3,107)	-	(3,107)
- Insurance proceeds	(178)	-	(178)			
- EPC cancellation fee	-	-	-	185	-	185
Adjusted EBITDA[3]	**47,879**	**(6,406)**	**41,473**	**46,272**	**(7,774)**	**38,498**

Notes:

(1) The renewable energy segment includes only the Group's solar power projects. All other revenues, expenses, assets and liabilities are included within the corporate segment, which includes the Group's passive oil and gas investments and all corporate overhead expenditure.

(2) Operating expenses and general and administrative expenses shown here, for the purposes of calculating EBITDA and adjusted EBITDA, exclude depreciation and amortization expenses.

(3) EBITDA is a non-IFRS measure and adjusted EBITDA excludes non-recurring items recognized during the relevant year.

(4) Refer to "Financial Review – Financial Results" on page 9 for an overview of the non-recurring items that occurred during the relevant year.

Revenue

	2012 $'000	**2011 $'000**
FiT revenue	45,626	42,378
Market Price revenue	10,036	9,532
Total revenue	**55,662**	**51,910**

Revenues in 2012, increased by $3.8 million (7%), compared to 2011, the result of three solar power projects being connected to the electricity grid throughout 2011 (Helios ITA-3, Etrion Lazio and Sagittario) and accordingly not being in operation for the full year, offset by foreign exchange rate fluctuations due to a weakening of the Euro against the US dollar, new projects being connected in 2011 with a lower FiT and a reduction to the spot market price in Italy.

FINANCIAL RESULTS (CONTINUED)

YEAR-END RESULTS (CONTINUED)

Operating expenses

	2012 $'000	2011 $'000
O&M costs	1,936	496
Operating personnel costs	991	864
Depreciation and amortization (operating solar power projects)	19,606	18,658
Taxes (other than income tax)[(1)]	1,541	572
Insurance	461	635
Land lease	200	224
Other operating expenses	1,191	699
Total operating expenses	**25,926**	**22,148**

Note:

(1) During 2012, the Group reclassified certain items (i.e., other taxes directly related to the Group's operating solar power projects of $0.6 million and internally generated costs directly related to operations of $0.7 million) from general and administrative expenses to operating expenses, and, as a result, operating expenses for 2011, as previously reported of $20.8 million, increased by $1.3 million, with a corresponding reduction to general and administrative expenses.

Operating expenses in 2012, increased by $3.8 million (17%), due to additional O&M, depreciation and amortization expenses related to three solar power projects being connected to the electricity grid throughout 2011 (Helios ITA-3, Etrion Lazio and Sagittario) and accordingly not being in operation for the full year, additional O&M expenses associated with two of the Group's solar power projects (Cassiopea and Centauro) that commenced after the second year of operations and higher property taxes associated with the Group's solar power projects due to changes in the Italian property tax legislation, offset by foreign exchange rate fluctuations due to a weakening of the Euro against the US dollar.

The Group's solar power projects (included within property, plant and equipment) and licences and permits (included within intangible assets) are depreciated and amortized over 20 years.

During 2012, the Group established and implemented a new asset management organizational structure to further streamline operations and improve efficiencies.

General and administrative expenses

	2012 $'000	2011 $'000
Salaries and benefits	2,739	5,682
Pension costs	171	239
Board of Directors fees	240	240
Share-based payment expense (non-cash item)	495	1,105
Corporate and professional fees	2,502	3,116
Listing, filing and marketing expenses	392	499
Depreciation and amortization (corporate assets)	290	334
Office lease expenses	445	466
Office, travel and other general and administrative expenses[(1)]	1,178	2,086
Total general and administrative expenses	**8,452**	**13,767**

Note:

(1) During 2012, the Group reclassified certain items (i.e., other taxes directly related to the Group's operating solar power projects of $0.6 million and internally generated costs directly related to operations of $0.7 million) from general and administrative expenses to operating expenses, and, as a result, general and administrative expenses for 2011, as previously reported of $15.1 million, decreased by $1.3 million, with a corresponding reduction to operating expenses.

General and administrative expenses decreased by $5.3 million (39%), due to a reduction in the number of employees at December 31, 2012 in order to streamline operations, lower share-based payment expenses due to the conversion of Mr. Northland's exchange right (refer to "Financial Review - Related Parties on page 19) and foreign exchange rate fluctuations, due to a weakening of the Euro against the US dollar.

Impairment

	2012 $'000	2011 $'000
Oil and gas investments	-	7,939
Development pipeline in Italy	-	1,733
Total impairment	**-**	**9,672**

No impairment loss was recognized during 2012. During 2011, the Group recognized an impairment loss of $9.7 million associated with its oil and gas investments, as the carrying value of these investments exceeded the expected recoverable amount, and its development pipeline in Italy, due to changes to the solar FiT regime.

FINANCIAL RESULTS (CONTINUED)

YEAR-END RESULTS (CONTINUED)

Other income

	2012 $'000	2011 $'000
Exchange right (non-cash compensation)	1,375	-
Liquidation damages	105	3,107
EPC cancellation fee	-	(185)
Right of use	44	48
Insurance proceeds	178	-
Other income (net)	249	217
Total other income	**1,951**	**3,187**

During 2012, the Group recognized other income of $1.4 million related to the 10% equity interest in the Company's subsidiary, SRH, previously held by Mr. Northland, to adjust the share-based payment expense previously recognized by the Group for the portion of the performance condition not met at conversion in accordance with IFRS 2, other income of $0.1 million for liquidation damages from the O&M contractor for one of the Group's solar power projects (SVE) due to a loss of revenue experienced during the year as a result of operational issues and other income of $0.2 million for insurance proceeds received during the year related to thefts encountered by one of the Group's solar power projects (Helios ITA).

During 2011, the Group recognized other income of $3.1 million for liquidation damages related to delays encountered by the EPC contractors responsible for the construction of three of the Group's solar power projects (Helios ITA, Etrion Lazio and SVE) and an expense of $0.2 million for the EPC contract cancellation fee related to the Helios ITA-3 solar power project.

Net finance costs

	2012 $'000	2011 $'000
Interest expense associated with non-recourse project loans(1)	20,131	18,376
Interest expense associated with corporate borrowings(1)	7,179	10,680
Net fair value movements associated with derivative financial instruments	225	239
Foreign exchange	(51)	391
Other net finance costs	164	605
Net finance costs	**27,648**	**30,291**

Note:
(1) Interest expense shown here includes transaction costs and is net of any borrowing costs capitalized during the relevant year.

Finance costs decreased by $2.6 million (9%) due to a reduction of $3.6 million in interest expenses associated with the Group's corporate borrowings (as the €28 million bridge loan obtained in 2011 to accelerate construction of two of the Group's solar power projects was fully repaid in November 2011), a reduction of $0.4 million associated with foreign exchange rate movements and a reduction of $0.4 million associated with other finance costs (due to no construction activity taking place in 2012), offset by an increase of $1.8 million in interest expenses associated with the Group's non-recourse project debt (due to two additional projects being financed in the second half of 2011).

Refer to "Financial Review – Financial Position" on pages 14 and 15 for an overview of the Group's non-recourse project loans and corporate borrowings. All of the Group's non-recourse project loans are hedged through interest rate swap contracts all of which qualified for hedge accounting at December 31, 2012 and 2011.

Income tax expense

	2012 $'000	2011 $'000
Current income tax expense	6,504	7,257
Deferred income tax recovery	(2,459)	(1,749)
Total income tax expenses	**4,045**	**5,508**

Income tax expenses decreased by $1.5 million (27%), primarily due to higher taxes associated with liquidation damages recognized in 2011 (within other income/expenses) and foreign exchange rate movements a result of a weakening of the Euro against the US dollar, offset by three additional solar power projects being connected throughout 2011 and accordingly not being in operation for the full year, increasing both the current income tax expense and deferred income tax recovery during 2012.

FINANCIAL RESULTS (CONTINUED)

YEAR-END RESULTS (CONTINUED)

Income tax expense (continued)

The calculation of the Group's net income tax expense is based on the forecasted effective tax rate expected during the year. The deferred income tax recovery of $2.5 million (2011: $1.7 million) relates to unutilized tax losses related to non-deductible interest carried forward in Italy (i.e., 30% of EBITDA), offset by temporary differences arising between the tax bases of assets and liabilities and their carrying values.

FOURTH QUARTER 2012

The Group recognized a net loss of $7.3 million during the fourth quarter of 2012 compared to a net loss of $19.8 million in the comparable period of 2011, due to the following:

- an impairment loss recognized in 2011 of $9.7 million (associated with the Group's oil and gas investments and development pipeline in Italy);
- a reduction to general and administrative expenses of $2.6 million (due to a lower headcount in 2012, certain costs being capitalized associated with business development activities and foreign exchange rate movements due to a weakening of the Euro against the US dollar);
- a reduction to net finance costs of $4.6 million (primarily due to interest expenses associated with the €28 million bridge loan that was fully repaid in November 2011 and foreign exchange rate movements due to a weakening of the Euro against the US dollar);
- a reduction to revenues of $1.2 million (primarily a result of foreign exchange rate movements due to the weakening of the Euro against the US dollar);
- an increase to operating expenses of $1.7 million (due to additional O&M expenses associated with two of the Group's solar power projects and additional property taxes in Italy, offset by foreign exchange movements due to a weakening of the Euro against the US dollar);
- a reduction to other income of $1.3 million (primarily associated with liquidation damages recognized in 2011); and
- an increase to income tax expenses of $0.2 million (primarily due to higher tax losses in the fourth quarter of 2011, resulting in a higher income tax recovery being recognized).

FINANCIAL POSITION

During 2012, the Group's total equity decreased by $17.2 million from a net asset position of $2.6 million at December 31, 2011, to a net liability position of $14.6 million at December 31, 2012, due to the $8.5 million (2011: $26.3 million) loss reported by the Group during the year, unrealized losses of $13.4 million (2011: 13.2 million) recognized within other reserves associated with the Group's derivative financial instruments (i.e., interest rate swap contracts) and foreign currency translation adjustments, offset by an increase to equity of $4.7 million related to the shares issued to Mr. Northland in respect of his previously held 10% equity interest in the Company's subsidiary, SRH ($3.9 million) and share-based payment expenses ($0.5 million) and the $0.3 million actuarial gain associated with the Group's post-employment benefits.

The Group's total equity at December 31, 2012, is negatively impacted by fair value losses of $22.7 million associated with the Group's derivative financial instruments that are not expected to be realized (i.e., the interest rate swap contracts will be held until the maturity of the associated non-recourse project loans). Excluding these fair value losses, the Group's total equity at December 31, 2012, would have been positive $8 million.

LIQUIDITY AND FINANCING

At December 31, 2012, the Group had cash and cash equivalents of $37.8 million (2011: $39.7 million) and positive working capital (i.e., current assets less current liabilities) of $17.7 million (2011: $20.1 million). Refer to "Financial Review – Financial Position" on page 16 for an overview of the Group's going concern assessment.

The Group is well positioned to generate sufficient operating cash flows in 2013 and 2014 from its solar power projects to meet its obligations and expects to finance the construction and/or acquisition of new projects with a combination of cash and cash equivalents, additional corporate equity or debt financing, vendor financing and non-recourse project loans, as required.

FINANCIAL POSITION (CONTINUED)

LIQUIDITY AND FINANCING (CONTINUED)

At December 31, 2012, the Group's contractual obligations for the next five years and thereafter are as follows:

	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	After five years $'000	Total $'000
Debt and interest repayments associated with non-recourse project loans	24,640	37,469	24,305	24,063	29,889	297,952	438,318
Debt and interest repayments associated with corporate borrowings	7,125	7,125	82,726	-	-	-	96,976
O&M contracts relating to operating solar projects	2,193	2,347	2,389	2,431	2,475	35,846	47,681
Operating leases	627	517	508	513	452	3,834	6,451
Trade and other payables	6,990	-	-	-	-	-	6,990
Total contractual obligations	41,575	47,458	109,928	27,007	32,816	337,632	596,416

The Group had no outstanding capital commitments (refer to the "Financial Review – Capital Investments" on page 16 for a summary of the Group's capital investments).

Borrowings

All of the Group's borrowings are denominated in Euros and the minimum principal repayment obligations are as follows:

	2012 $'000	2011 $'000
Less than 1 year	30,024	16,030
Between 1 and 5 years	139,475	152,722
After 5 years	230,272	238,103
Total borrowings	**399,771**	**406,855**

The Group's adjusted net debt position, excluding non-cash items at December 31, 2012, is as follows:

	2012 $'000	2011 $'000
Total borrowings (per consolidated financial statements)	**399,771**	**406,855**
Value added tax ("VAT") facilities(1)	(20,054)	(26,201)
Accrued interest(2)	(2,867)	(3,436)
Transaction costs(2)	10,952	11,586
Total borrowings (excluding non-cash items)	**387,802**	**388,804**
Cash and cash equivalents (including restricted cash)	(37,750)	(39,656)
Adjusted net debt	**350,052**	**349,148**

Notes:

(1) VAT facilities are excluded from total borrowings as these facilities are to be repaid using the proceeds from input VAT received from the Italian tax authorities.

(2) In accordance with IFRS, total borrowings include accrued interest and are shown net of transaction costs. These non-cash items are excluded from total borrowings to calculate adjusted net debt (on a cash flow basis).

At December 31, 2012 and 2011, the Group was not in breach of any of the imposed operational and financial covenants associated with its non-recourse project loans and corporate borrowings.

Non-recourse project loans

The non-recourse project loans (i.e., facilities to which the lending bank is only entitled to the assets from the associated project) held by the Group's Italian subsidiaries, obtained to finance the construction of the Group's solar power projects, mature at various dates between 2024 and 2028 and bear annual interest rates of Euribor plus a margin, ranging from 1.35% to 3.1%. At December 31, 2012 and December 31, 2011, all non-recourse projects loans were hedged through interest rate swap contracts.

FINANCIAL POSITION (CONTINUED)

LIQUIDITY AND FINANCING (CONTINUED)

Borrowings (continued)

Non-recourse project loans (continued)

The following is a summary of the Group's non-recourse project loans denominated in Euros, translated at the closing €/$ exchange rate of 1.32 at December 31, 2012, and 1.29 at December 31, 2011:

	Capacity (MW)	Financial institution	Maturity	Balance outstanding[(1)] 2012 $'000	2011 $'000
Cassiopea	23.9	BIIS[(2)], Societe Generale and WestLB	March 31, 2024	140,370	142,638
Helios ITA-3[(3)]	10	Natixis, WestLB and Mediocreval	June 30, 2027	45,317	44,525
Centauro	8.7	Barclays	September 30, 2028	50,736	52,402
Helios ITA	6.4	Societe Generale and Dexia	June 30, 2024	37,214	41,216
Etrion Lazio	5.2	Natixis, WestLB and Mediocreval	June 30, 2027	21,027	22,169
SVE	3.0	Centrobanca	June 30, 2028	16,032	16,374
Sagittario[(3)]	2.6	Natixis, WestLB and Mediocreval	June 30, 2027	9,008	9,139
Total	**59.8**			**319,704**	**328,463**

Notes:

(1) Balances outstanding include the VAT facilities associated with the loans (to be repaid using the proceeds from input VAT from the Italian tax authorities) and accrued interest net of transaction costs (in accordance with IFRS). According to the facility agreements, the VAT facilities are to be repaid within forty-eight months from the amounts collected from the Italian tax authorities for input VAT on the Group's construction activities.

(2) Banca Infrastrutture Innovazione e Sviluppo (Intesa Sanpaolo Group).

(3) At December 31, 2011, the Group had $2.1 million (€1.7 million) undrawn on the non-recourse project loan facility with Natixis, WestLB and Mediocreval relating to the Helios ITA-3 and Sagittario solar power projects. These amounts were drawn in the first quarter of 2012.

In order to secure the Group's non-recourse project loans, the Group pledged as collateral the fixed assets (i.e., solar power projects and land) associated with the solar power projects financed by these facilities (i.e., Cassiopea, Helios ITA-3, Centauro, Helios ITA, Etrion Lazio, SVE and Sagittario). The value of the Group's fixed assets held as collateral at December 31, 2012 was $352 million (2011: $364 million). Repayment of these facilities is secured principally by the proceeds from the sale of electricity under contracts entered into by the Group with the GSE and the proceeds from the collection of input VAT accumulated for construction costs. Counterparties to the non-recourse project loans do not have unconditional or unilateral discretionary rights to accelerate repayment to earlier dates.

Corporate borrowings

Corporate bonds

In April 2011, the Company issued €60 million of corporate bonds in the Norwegian bond market at 9% annual interest with a 4-year maturity. At December 31, 2012, the amount outstanding, including accrued interest and net of transaction costs, was $80.1 million (2011: $78.4 million).

The corporate bond agreement includes a call option that allows the Company to redeem the bond early (in full or in part), after the first, second and third year at a specified percentage over par value (i.e., a fixed premium) of 5%, 3% and 1%, respectively. At December 31, 2012, no amount was recognized in relation to this option. In addition, the corporate bond has a minimum unrestricted cash balance requirement of €3 million.

Lundin Services BV loan

In April 2010, the Company entered into a loan facility agreement with Lundin Services BV, a wholly-owned subsidiary of Lundin Petroleum AB, for up to €60 million in order to finance capital and operating expenditures of the Group. The loan carried an annual interest rate of Euribor plus a margin of 3% until March 31, 2011, with a margin of 5% thereafter. In May 2011, the net proceeds from the Company's bond issue were used to repay the loan facility in full. Refer to "Corporate bond" above.

Lundin family bridge loan

In order to accelerate construction of two of the Group's solar projects (Helios ITA-3 and Sagittario), in June 2011, the Company received a €28 million bridge loan from investment companies associated with the Lundin family that matured in June 2012. In consideration for the bridge loan, the Company issued 6,500,000 common shares to investment companies associated with the Lundin family. Refer to "Financial Review - Related Parties" on page 18.

In November 2011, the Company repaid the bridge loan in full primarily using proceeds from the non-recourse loan facility with Natixis, WestLB and Mediocreval for the Helios ITA-3 and Sagittario solar power projects.

FINANCIAL POSITION (CONTINUED)

GOING CONCERN

The Company's consolidated financial statements for the year ended December 31, 2012, have been prepared on a going concern basis, which assumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business as they become due in the foreseeable future.

At December 31, 2012, the Group had cash and cash equivalents of $37.7 million (2011: $39.7 million) and positive working capital (i.e., current assets less current liabilities) of $17.7 million (2011: $20.1 million). During 2012, the Group recognized a net loss of $8.5 million (2011: $26.3 million). However, the Company's management is confident that the Group will be able to fund its working capital requirements for at least twelve months from the date of this MD&A.

The Group's anticipated growth and development activities will depend on the Group's ability to secure additional financing (i.e., corporate debt and equity financing, vendor financing or non-recourse project loans). The Group cannot be certain that financing will be available when needed, and, as a result, the Group may need to delay discretionary expenditures.

The Company's consolidated financial statements for the year ended December 31, 2012, do not include the adjustments that would result if the Group was unable to continue as a going concern.

OUTSTANDING SHARE DATA

At the date of this MD&A, the Company had 205,746,419 common shares (March 29, 2011: 187,536,120) and options to purchase up to 7,450,000 common shares (March 29, 2011: 5,014,200) issued and outstanding. The options expire at various dates between September 30, 2013, and April 28, 2018, with exercise prices in Canadian dollars ("CAD$") ranging between CAD$0.25 and CAD$1.59 per share.

During 2012, the Company issued 18,210,299 common shares to Mr. Northland in respect of his previously held 10% equity interest in the Company's subsidiary, SRH. Refer to "Financial Review – Related Parties" on page 19 for an overview of this transaction.

During 2011, the Company issued 6,500,000 common shares to investment companies associated with the Lundin family as an equity-based financing fee (refer to "Financial Review - Related Parties" on page 18) and issued 1,270,000 common shares as a result of stock options being exercised during the year.

OFF-BALANCE SHEET ARRANGEMENTS

The Group had no off-balance sheet arrangements in 2012 and 2011.

CAPITAL INVESTMENTS

The Group is evaluating opportunities to make significant capital investments in the future in order to acquire and/or build ground-mounted solar PV power plants. Etrion plans to finance the acquisition and construction of its projects under development with a combination of cash and cash equivalents, additional corporate debt or equity financing, non-recourse project loans and vendor financing, as required. There is no assurance that debt or equity financing will be available or sufficient to meet these requirements or, if debt or equity financing is available, that it will be available on terms acceptable to the Group. For those projects with financing already secured through non-recourse project loans, no additional capital contributions are expected.

At December 31, 2012, and 2011, the Group had no committed capital expenditures outstanding.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In connection with the preparation of the Company's consolidated financial statements, the Company's management has made assumptions and estimates about future events and applied judgments that affect the reported values of assets, liabilities, revenues, expenses and related disclosures. These assumptions, estimates and judgments are based on historical experience, current trends and other factors that the Company's management believes to be relevant at the time the consolidated financial statements are prepared. On a regular basis, the Company's management reviews the accounting policies, assumptions, estimates and judgments to ensure that the consolidated financial statements are presented fairly in accordance with IFRS. However, because future events and their effects cannot be determined with certainty, actual results could differ from these assumptions and estimates, and such differences could be material.

The Company's management believes the critical accounting policies outlined on page 17 affect the more significant judgments and estimates used in the preparation of the consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

IMPAIRMENT OF GOODWILL, PROPERTY, PLANT, AND EQUIPMENT AND INTANGIBLE ASSETS

The Group assesses goodwill for impairment on an annual basis and property, plant and equipment and intangible assets when indicators of impairment exist. Determining whether goodwill, property, plant and equipment and intangible assets are impaired requires the Company's management to estimate the recoverable amount of the CGUs (to which goodwill is allocated) using value-in-use calculations. The value-in-use calculations require the Company's management to estimate the future cash flows expected to arise from the CGUs and to select a suitable discount rate in order to calculate the net present value. The value-in-use calculations are based on the forecasted EBITDA over the expected life (i.e., up to 20 years, representing the term of the electricity sale agreements) derived from the business models developed by the Company's management to value the projects. The assumptions used are consistent with external sources of information and reflect past experience. These business models include various assumptions such as future market prices for solar energy, the fixed rate of inflation to estimate future operating costs and operating variables such as irradiation, degradation and transfer losses estimated by the Group's internal engineers based on historical atmospheric conditions in the areas where the projects are located. For the purposes of the Group's impairment assessment performed at December 31, 2012, the discount rate used was 7.7% (2011: 8.1%), representing the Group's pre-tax weighted average cost of capital, and no growth rate was applied (as the Group's operating solar power projects are operating at full capacity). A 2% increase to the Group's discount rate (to 9.7%) would have resulted in an impairment loss of $8.1 million being recognized in 2012. The value-in-use calculations used to value the Group's solar power projects are complex and include a wide number of operating and financial variables and assumptions that are subject to change as economic and market conditions vary. At December 31, 2012, no impairment was provided in relation to the Group's previously recognized goodwill, property, plant and equipment and intangible assets.

ACQUISITIONS

The acquisition of subsidiaries is accounted for using the acquisition method of accounting in accordance with IFRS 3, which requires measuring the assets acquired and liabilities assumed at their fair values at the date of acquisition. The Company's management estimates the fair value of the assets acquired and liabilities assumed using business models developed by the Company's management used to value the solar power projects, which include a wide number of operating and financial variables and assumptions that are subject to change as economic and market conditions vary. These changes could affect the fair value of the assets acquired and liabilities assumed and the amount of goodwill or negative goodwill recognized in the financial statements. The Group did not acquire any subsidiaries during 2012. However, during the year ended December 31, 2011, the Group adjusted the fair values assigned to the assets and liabilities on the acquisitions that occurred in 2010, resulting in a reduction of $0.4 million to property, plant and equipment, $0.1 million to goodwill included within intangible assets and $0.1 million to deferred income tax liabilities.

FAIR VALUE OF FINANCIAL AND DERIVATIVE FINANCIAL INSTRUMENTS

In determining the fair value of the Group's financial instruments, the Company's management uses judgement to select a variety of methods and verifies assumptions that are mainly based on market conditions existing at the balance sheet date. Where possible, the Company's management also obtains fair value measurements from third parties. For financial instruments carried at amortized cost, with a stated maturity, for which a quoted market price is not available, the estimated fair value is based on the expected future cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of floating rate instruments normally approximates their carrying value. At December 31, 2012, the Group recognized financial liabilities of $50.2 million (2011: $30.7 million) associated with its derivative financial instruments.

DEFERRED INCOME TAX ASSETS

The Group accounts for differences that arise between the carrying amount of assets and liabilities and their tax bases in accordance with *IAS 12, Income Taxes*, which requires deferred income tax assets only to be recognized to the extent that is probable that future taxable profits will be available against which the temporary differences can be utilized. The Company's management estimates future taxable profits based on the business models used to value the solar power projects. Any change to the estimates and assumptions used for the key operational and financial variables used within the business models could affect the amount of deferred income tax assets recognized by the Group. At December 31, 2012, the Group recognized $7.5 million (2011: $3.7 million) of deferred income tax assets.

RELATED PARTIES

For the purposes of preparing the Company's consolidated financial statements, parties are considered to be related, if one party has the ability to control the other party, under ordinary control, or if one party can exercise significant influence over the other party in making financial and operational decisions. The Company's major shareholder is the Lundin family, whose position is held through various trusts which collectively own approximately 22% of the Company's share capital. All related party transactions are made on terms equivalent to those made on an arm's length basis.

The related party transactions disclosed in the notes to the Company's consolidated financial statements for the year ended December 31, 2012 are summarized below and on page 19.

RELATED PARTY TRANSACTIONS

Lundin Services BV

The Group receives technical and legal services from Lundin Services BV, a wholly-owned subsidiary of Lundin Petroleum AB. The Chief Executive Officer of Lundin Petroleum AB is a director of the Company. During 2012, the Group incurred general and administrative expenses of $37,000 (2011: $48,000) and at December 31, 2012 the Group had $nil (2011: $3,000) outstanding in relation to these expenses.

In April 2011, Lundin Services BV subscribed for €8.9 million of the corporate bonds issued by the Company as (described in the "Financial Review – Financial Position" on page 15). In April and May of 2011, Lundin Services BV sold €1.3 million of the corporate bonds, reducing its position to €7.6 million at December 31, 2012 (2011: €7.6 million). During 2012, the Group recognized $0.8 million (2011: $0.6 million) of interest expense and $22,000 (2011: $15,000) of transaction costs associated with the portion of the corporate bonds held by Lundin Services BV.

In April 2010, the Company entered into a loan agreement with Lundin Services BV to draw up to €60 million. This loan was fully repaid in May 2011. During 2011, the Group recognized $1.5 million of interest expense and $0.1 million of transaction costs associated with this loan.

Lundin family

In April 2011, investment companies associated with the Lundin family subscribed for €15 million of the corporate bonds issued by the Company (described in the "Financial Review – Financial Position" on page 15). During 2012, the Group recognized $1.7 million (2011: $1.3 million) of interest expense and $43,000 (2011: $30,000) of transaction costs associated with the portion of the corporate bonds held by investment companies associated with the Lundin family.

In addition, during 2011, the Group recognized an interest expense of $5.3 million, of which $2.1 million was capitalized within property, plant and equipment, for the common shares (6,500,000) issued as consideration for the €28 million bridge loan obtained from investment companies associated with the Lundin family, in order to accelerate the construction of two of the Group's solar power projects (Helios ITA-3 and Sagittario), that was fully repaid in November of 2011.

Lundin Petroleum SA

The Group receives administrative support services from Lundin Petroleum SA, a wholly-owned subsidiary of Lundin Petroleum AB. During 2012, the Group recognized no expenses from Lundin Petroleum SA. During 2011, the Group recognized general and administrative expenses of $37,000, from Lundin Petroleum SA and at December 31 2012 and 2011, the Group had no amounts outstanding to Lundin Petroleum SA.

KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The key management of the Group includes members of the Board of Directors, the Chief Executive Officer and the Chief Financial Officer.

FINANCIAL REVIEW (CONTINUED)

RELATED PARTIES (CONTINUED)

KEY MANAGEMENT PERSONNEL (CONTINUED)

During 2012, the Group recognized $1.6 million (2011: $2.2 million) within general and administrative expenses associated with the remuneration of key management personnel, related to salaries and short-term benefits, termination benefits, pension costs, fees paid to the Board of Directors and share-based payment expenses. At December 31, 2012, the Group had $0.2 million outstanding to key management personnel for 2012 bonus compensation and fees payable to the Board of Directors. At December 31, 2011, the Group had $0.3 million outstanding to key management personnel for 2011 bonus compensation and fees payable to the Board of Directors and a financial liability of $5.2 million associated with Mr. Northland's right to exchange his interest in SRH for shares of the Company. Refer to discussion below for a summary of this exchange right.

Mr. Northland's exchange right

Upon the acquisition of a 90% equity interest in SRH in September 2009, the Company entered into a shareholders' agreement with Mr. Northland, who then held the remaining 10% equity interest in SRH. The agreement provided Mr. Northland with the right to convert such interest in SRH for an equivalent fair value of shares in the Company with a guaranteed floor on the transaction of €4 million. On March 30, 2012, Mr. Northland exercised his right, and, as a result, 18,210,299 common shares of the Company were issued to Mr. Northland. As a result, the Company now owns 100% of SRH. The value of SRH for the purpose of the conversion was based on the market capitalization of the Company less the value of its legacy oil and gas investments and subject to certain other adjustments related to the Company's corporate debt and cash on hand. The number of shares issued was calculated by reference to the weighted average share price of the Company's common shares over the three month period prior to March 30, 2012. Following the conversion, an adjustment was made to release the previously recognized financial liability and contributed surplus of $5.3 million and $4.7 million, respectively, increasing the Group's share capital by $10 million.

FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks relating to its operations. These risks include market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets, specifically changes in foreign exchange rates and interest rates, and seek to minimize potential adverse effects on the Group's financial performance. The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge interest risk exposures (i.e., interest rate swap contracts). However, the Group has not entered into any foreign exchange rate hedges as the effects of foreign exchange rate movements have an insignificant impact on the Group's annual and quarterly results, due to the fact that monetary assets and liabilities held by the Group's subsidiaries are primarily held in the individual subsidiaries' functional currency.

The Company's management carries out risk management procedures with guidance from the Audit Committee. The Board of Directors also provides regular guidance on the Group's overall risk management procedures.

Refer to the Company's consolidated financial statements for the year ended December 31, 2012, for further details relating to the Group's financial risk management.

DERIVATIVE FINANCIAL INSTRUMENTS

A summary of the Group's derivative financial instruments at December 31, 2012 and 2011 is as follows:

	2012 $'000	**2011 $'000**
Derivative financial liabilities:		
Interest rate swap contracts		
- Current portion	9,662	5,462
- Non-current portion	40,558	25,213
Total derivative financial liabilities	**50,220**	**30,675**

Note:

(1) All of the Group's derivative financial instruments were classified as cash flow hedges that qualified for hedge accounting at December 31, 2012 and 2011.

FINANCIAL INSTRUMENTS (CONTINUED)

DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The Group has entered into five credit facilities that are hedged using interest rate swap contracts in order to hedge the risk of variations in the Group's cash flows as a result of floating interest rates on the Group's non-recourse project loans.

At December 31, 2012, the notional amount of the Group's interest rate swap contracts was $300.5 million (2011: $307.3 million). All interest rate swap contracts are denominated in Euros. The fair market value of the instruments at December 31, 2012, resulted in a net liability position of $50.2 million (2011: $30.7 million) due to a lower Euribor forecasted curve in comparison with projections in the interest rate swap contracts.

The fair value of these interest rate swap contracts is calculated as the present value of the estimated future cash flows, calculated using the notional amount to maturity as per the interest rate swap contracts, the observable Euribor interest rate forward yield curve and an appropriate discount factor.

INTEREST RATE SWAP CONTRACTS CLASSIFIED AS CASH FLOW HEDGES

At December 31, 2012 and 2011, all of the Group's derivative financial instruments were classified as cash flow hedges, qualifying for hedge accounting, in accordance with *IAS 39, Financial Instruments: Recognition and Measurement*. As a result, any gain or loss associated with changes to the fair value (net of tax) of these derivative financial instruments is recognized within other reserves within equity with the ineffective portion of these derivative financial instruments included within finance income/costs.

Although all of the Group's derivative financial instruments qualified for hedge accounting, during 2012, due to changes to the repayment schedule of one of the Group's credit facilities (Helios ITA), a new interest rate swap contract was entered into, and, as a result, the Group recognized a net fair value gain of $0.3 million, representing the fair value of the newly established derivative financial instrument at the time it qualified for hedge accounting and a fair value loss of $0.5 million, representing a portion of the previously recognized fair value losses reclassified from other reserves. During 2011, the Group recognized a net fair value gain of $0.4 million associated with two interest rate swap contracts before they were designated for hedge accounting during the year.

In addition, during 2012, the Group recognized a fair value loss of $12.8 million (2011: $13.3 million) within other reserves associated with the effective portion of the Group's interest rate swap contracts and a net fair value gain of $3,000 (2011: net fair value loss of $0.7 million) within finance income/costs related to the ineffective portion.

RISKS AND UNCERTAINTIES

The Group's activities expose it to a variety of financial and non-financial risks and uncertainties that could have a material impact on the Group's long-term performance and could cause actual results to differ materially from expected and historical results. Risk management is carried out by the Company's management with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also oversees and provides assistance with the overall risk management strategy and mitigation plan of the Group.

FINANCIAL RISKS

DEBT AND EQUITY FINANCING

The Group's anticipated growth and development activities will depend on the Group's ability to secure additional financing (i.e., corporate debt, equity financing, vendor financing or non-recourse project loans). The Group cannot be certain that financing will be available when needed, and, as a result, the Group may need to delay discretionary expenditure. In addition, the Group's level of indebtedness from time to time could impair its ability to obtain additional financing and to take advantage of business opportunities as they arise. Failure to comply with facility covenants and obligations could also expose the Group to the risk of seizure or forced sale of some or all of its assets.

FINANCIAL RISKS (CONTINUED)

CAPITAL REQUIREMENTS AND LIQUIDITY

Although the Group is currently generating significant cash flows from its operational projects, the construction and acquisition of additional projects will require significant external funding. Failure to obtain financing on a timely basis could cause the Group to miss certain business opportunities, reduce or terminate its operations or forfeit its direct or indirect interest in certain projects. There is no assurance that debt or equity financing, or cash generated from operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be available on terms acceptable to the Group. The inability of the Group to access sufficient capital for its operations could have a material impact on the Group's business model, financial position and performance.

MARKET RISKS

The Group is exposed to financial risks such as interest rate risk, foreign currency risk, price risk and credit risk. The Company's management seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures.

COST UNCERTAINTY

The Group's current and future operations are exposed to cost fluctuations and other unanticipated expenditures that could have a material impact on the Group's financial performance.

NON-FINANCIAL RISKS

LICENSES AND PERMITS

The Group's operations require licenses and permits from various governmental authorities that are subject to changes in regulation and operating circumstances. There is no assurance that the Group will be able to obtain all the necessary licenses and permits required to develop future renewable energy projects. At the date of this report, to the best of the Company's knowledge, all necessary licenses and permits have been obtained, and the Group is complying in all material respects with the terms of such licenses and permits.

GOVERNMENTAL REGULATION

The renewable energy sector is subject to extensive government regulation. These regulations are subject to change based on the current and future economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the industries in which the Group operates could lead to delays in the construction or development of additional solar power projects and/or adversely impair its ability to acquire and develop economic projects, generate adequate internal returns from operating projects and to continue operating in current markets. Specifically, reductions in the FiT payable to the Group on its existing solar power projects in Italy as well as other legislative or regulatory changes could impact the profitability of the Group's future solar power projects. Refer to "Business Review – Market Overview" on pages 6, 7 and 8 for an overview of the renewable energy market.

COMPETITION

The renewable energy industry is extremely competitive and many of the Group's competitors have greater financial and operational resources. There is no assurance that the Group will be able to acquire new renewable energy projects in order to grow in accordance with the Company's strategy. Etrion also competes in securing the equipment necessary for the construction of solar energy projects. Equipment and other materials necessary to construct production and transmission facilities may be in short supply, causing project delays or cost fluctuations.

PRICES AND MARKETS FOR ELECTRICITY

Although the Group focuses on acquiring, developing, building, owning and operating renewable energy projects in jurisdictions that provide a long-term FiT or PPA, a portion of the Group's revenues is derived from the spot market rate for electricity. Pricing for the sale of electricity may be subject to change based on economic and political conditions.

NON-FINANCIAL RISKS (CONTINUED)

INTERNATIONAL OPERATIONS

Renewable energy development and production activities are subject to significant political and economic uncertainties that may adversely affect the Group's performance. Uncertainties include, but are not limited to, the possibility of expropriation, nationalization, renegotiation or nullification of existing or future PPAs, a change in renewable energy pricing policies and a change in taxation policies or the regulatory environment in the jurisdictions in which the Group operates. These uncertainties, all of which are beyond the Group's control, could have a material adverse effect on the Group's financial position and operating performance. In addition, if legal disputes arise relating to any of the Group's operations, the Group could be subject to legal claims and litigation within the jurisdiction in which it operates.

RELIANCE ON CONTRACTORS AND KEY EMPLOYEES

The ability of the Company to conduct its operations is highly dependent on the availability of skilled workers. The labor force in Europe is unionized and politicized, and the Group's operations may be subject to strikes and other disruptions. In addition, the success of the Company is largely dependent upon the performance of its management and key employees. There is a risk that the departure of any member of management or any key employee could have a material adverse effect on the Group.

The Group's business model relies on qualified and experienced contractors to design, construct and operate its renewable energy projects. There is a risk that such contractors are not available or that the price for their services impairs the economic viability of the Group's projects.

DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109 *Certification of Disclosures in Issuers Annual and Interim Filings*, the Company's Chief Executive Officer and Chief Financial Officer are required to:

- design or supervise the design and evaluate the effectiveness of the Group's disclosure controls and procedures ("DC&P"); and
- design or supervise the design and evaluate the effectiveness of the Group's internal controls over financial reporting ("ICFR").

The Company's Chief Executive Officer and Chief Financial Officer have not identified any material weakness in the Group's DC&P and ICFR.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Forward-looking information and statements are included throughout this MD&A and include, but are not limited to, statements with respect to: Etrion's plans for future growth and development activities, expectations relating to cash flow in 2012 and 2013, the need for additional capital to fund the construction or acquisition of new projects and the expected sources of such capital and expectations relating to grid parity. The above constitute forward-looking information, within the meaning of applicable Canadian securities legislation, which involves risks, uncertainties, assumptions and factors that could cause actual results or events to differ materially from current expectations, including, without limitation: risks associated with operating exclusively in foreign jurisdictions; uncertainties with respect to the availability of suitable additional renewable energy projects; uncertainties with respect to the Company's ability to negotiate PPAs with industrial energy users; uncertainties and assumptions relating to the availability and costs of financing needed in the future; assumptions related to the applicability of the Italian FiT regime until December 31, 2016 and the new Italian energy law implemented during the second half of 2012; uncertainties with respect to certain information relating to solar electricity revenue that is subject to confirmation of both the applicable FiT to which the Company is entitled by the state-owned company, GSE, and the applicable spot market price by local utilities for electricity sales to the national grid; the impact of general economic conditions and world-wide industry conditions in the jurisdictions and industries in which the Company operates; risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations; stock market volatility; opportunities available to or pursued by the Company; and other factors, many of which are beyond the Company's control.

All such forward-looking information is based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Company believes are appropriate in the circumstances. The foregoing factors, assumptions and risks are not exhaustive and are further discussed in Etrion's most recent Annual Information Form and other public disclosure available on SEDAR at **www.sedar.com**. Actual results, performance or achievements could differ materially from those expressed in, or implied by, such forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits will be derived therefrom. Investors should not place undue reliance on forward-looking information. Except as required by law, Etrion does not intend to update or revise any forward-looking information, whether as a result of new information, future events or otherwise. The information contained in this MD&A is expressly qualified by this cautionary statement.

ADDITIONAL INFORMATION

Additional information regarding the Company, including its Annual Information Form, may be found on the SEDAR website at **www.sedar.com** or by visiting the Company's website at **www.etrion.com**.